

Message Text

CONFIDENTIAL

PAGE 01 CURACA 00137 130823 Z

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ACTION ARA-17

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FM AMCONSUL CURACAO

TO SECSTATE WASHDC PRIORITY 1219

INFO AMEMBASSY THE HAGUE

C O N F I D E N T I A L CURACAO 137

EO 11652 GDS.

TAGS ETRD, NA, EGEN

SUBJECT INFORMATION TO BE CONSIDERED BY SC PRIOR TO REGISTRATION
OF ISLAND GEM ENTERPRISES LTD NV.

FOR KELLY ARA- LA- CAR.

PASS SECURITY EXCHANGE COMMISSION WASHINGTON, DC URGENT.

1. THE CONSULATE GENERAL HAS JUST LEARNED THAT ISLAND GEM ENTERPRISES LTD NV WHICH OWNS THE MULLET BAY BEACH HOTEL ON SINTMAARTHEN HAS BEEN ADVERTISING TO ITS GUESTS AT THE HOTEL THROUGH A FLYER PLACED IN THEIR ROOMS THAT IT IS PROPOSING TO MAKE AN UNDERWRITTEN PUBLIC OFFERING 250,000 SHARES OF ITS COMMON STOCK. ITS ANTICIPATED SALE TO THE PUBLIC WILL COMMENCE IN APRIL 1973. THOMSON AND MCKINNIN AUCHINCLOSS INC, 2 BROADWAY NY, NY 10004 AND COGGES HALL AND HICKS INC. 1 LIBERTY STREET NY, NY 10005 ARE ACTING AS REPRESENTATIVES OF THE UNDERWRITERS. THE FLYERS STATES A PROSPECTUS RELATING TO THE OFFERING MAY BE OBTAINED FROM THEM.

2. THERE IS NO RECORD THAT THIS CONGEN HAS BEEN QUERIED YET ON THIS MATTER BY THE SECURITIES AND EXCHANGE COMMISSION (SEC) ALTHOUGH ISLAND GEM ENTERPRISES OR AT LEAST THE MULLET BAY BEACH HOTEL IS LOCATED IN SINTMAARTEN WHICH IS IN THE CONGENS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CURACA 00137 130823 Z

AREA OF RESPONSIBILITY. THE CONSULATE GENERAL DOES NOT HAVE AVAILABLE A COPY OF THE PROSPECTUS THEREFORE IT IS UNABLE TO COMMENT ON THE PROPOSAL FROM A STUDY OF IT. IT HAS BEEN LEARNED THROUGH OTHER SOURCES THAT THE STOCK WILL BE OFFERED AT \$17 PER SHARE.

3. I AM OF THE OPINION THAT THE FOLLOWING SHOULD BE MOST CAREFULLY CONSIDERED BY THE SEC PRIOR TO AUTHORIZING REGISTRATION OF THE COMPANY IN THE LIGHT OF PROTECTING ANY FUTURE PURCHASER OF THIS STOCK.

A. THE COMPANY IS BUILT AROUND A CASINO OPERATION. THIS CONSULATE GENERAL IS MOST DOUBTFUL THAT THE COMPANY WOULD EXIST WITHOUT THE CASINO OPERATION. CASINO OPERATIONS IN THE NETHERLANDS ANTILLES ARE A CONTINUING PROBLEM TO BOTH THE GNA AS WELL AS THE USG. THERE HAS RECENTLY BEEN PUBLIC AND LOCAL PRESS OUTCRY IN THE NA AGAINST CASINO OPERATIONS. THERE IS A STRONG CHANCE THAT LICENSES GRANTED TO US CITIZEN CASINO OPERATORS AND US CITIZEN OWNED CASINOS WILL BE MADE AN ISSUE IN FUTURE POLITICAL CAMPAIGNS AND THE US OWNED CASINO LICENSES REVOKED. CASINOS IN THE NA HAVE ATTRACTED A MOST UNDESIRABLE GROUP OF US CITIZEN PERSONALITIES AND CORRUPTION OF LOCAL OFFICIALS BY US CASINO OPERATORS IS RUMORED TO BE WIDESPREAD.

B. THE PRESIDENT OF ISLAND GEM ENTERPRISES AND THE MULLET BAY BEACH HOTEL IS HERBERT B MERSER. HE IS KNOWN TO HAVE DEEPLY INVOLVED HIMSELF IN LOCAL ISLAND POLITICS DURING THE THREE YEARS HE HAS BEEN OPERATING ON SINTMAARTEN. THERE ARE RUMORS THAT MERSER WAS ABLE TO PROCURE THE PROPERTY ON WHICH THE HOEL AND GOLF COURSE ARE BUILT THROUGH NA POLITICANS FOR LITTLE CASH OUTLAY AND THIS IS DEEPLY RESENTED BY MANY SINTMAARTEN CITIZENS PARTICULARLY YOUNG BLACKS WHO ARE FORMING NEW POLITICAL PARTIES AND WHO MAY HAVE SUBSTANTIAL POWER IN THE FUTURE. MERSER'S NAME HAS RECENTLY BEEN MENTIONED IN THE PRESS AS BEING INVOLVED WITH ISLAND POLITICIANS OPPOSED BY THESE GROUPS.

C. THERE HAVE BEEN RUMORS THAT AT LEAST ORIGINALLY SOME OF THE REPORTED SALES OF THE CONDOMINIUMS IN THE PROJECT WERE EITHER FICTITIOUS OR SOLD FOR A VERY LOW DOWN PAYMENT TO FAMILIES AND FRIENDS OF THE PRESIDENT OF ISLAND GEM.

CONFIDENTIAL

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PAGE 03 CURACA 00137 130823 Z

D. THERE ARE FURTHER RUMORS THAT THE CONSTRUCTION OF THE

BUILDING WHICH APPEARS AT FIRST GLANCE TO BE SUBSTANTIAL MAY BE FLIMSEY AND NOT ABLE TO WITHSTAND TROPICAL WEATHER.

C. IT IS APPARENT THAT THE TAX BASE ON THE LITTLE ISLAND OF SINTAMAARTEN CAN NOT POSSIBLY SUPPORT NECESSARY PUBLIC UTILITIES, ROADS, AIRPORTS, ETC FOR SUCH LARGE CASINO HOTEL OPERATIONS AND THAT AS THE NA MOVES TOWARDS INDEPENDENCE (PROBABLY WITHIN THE NEXT THREE YEARS) AND IF HOLLAND SHOULD REDUCE ITS AID PROGRAM IT IS SURE THAT THE NA WILL EXPERIENCE MOST DIFFICULT ECONOMIC TROUBLES.

F. BANK OFFICIALS INVOLVED IN THE FINANCIAL ARRANGEMENTS OF ISLAND GEM ENTERPRISES DO NOT SHOW GREAT CONFIDENCE IN ITS PRESIDENT HERBERT B MERSER OR HIS OPERATION.

4. WHILE THE CONGEN IS QUITE AWARE THAT SOME OF THE ABOVE COULD BE UNSUBSTANTIATED IT IS OF THE OPINION THAT THE SEC IS UNDER OBLIGATION TO LOOK VERY CAREFULLY IN TO ALL OF THESE MATTERS PRIOR TO AUTHORIZING THE SALE OF THE STOCK.

5. THE ABOVE INFORMATION IS TO BE TREATED AS CONFIDENTIAL AND FOR OFFICIAL USE ONLY TO ASSIST THE SEC IN ITS ADJUDICATION.

6. THE CONGEN WILL APPRECIATE ANY COMMENT OR INFORMATION BY SEC OR THE DEPARTMENT ON THIS MATTER.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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